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## **Executive Summary Report**

**Appraisal Date 1/1/05 - 2005 Assessment Roll**

**Specialty Name:** Industrial

### **Total Population - Parcel Summary Data:**

	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2004 Value</b>	\$ 422,240,300	\$ 456,861,700	\$ 879,102,000
<b>2005 Value</b>	\$ 488,970,100	\$ 486,191,900	\$ 975,162,000
<b>Percent Change</b>	+15.80%	+6.42 %	+10.93%

Population: 76 economic units consisting of 120 parcels

### **Conclusion and Recommendation:**

Since the values recommended in this report improve equity, we recommend posting them for the 2005 Assessment Roll.

## ***Analysis Process***

### ***Specialty:***

Specialty Area – 540 Industrial

### ***Highest and Best Use Analysis:***

***As if vacant:*** Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

***As if improved:*** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

### ***Special Assumptions, Departures and Limiting Conditions***

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/01/02 to 1/01/05 were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6. The industrial appraiser has carefully considered the impact of the national and regional economy on King County's industrial real estate market. The terrorist events of September 11, 2001, as well as changes in the software, high tech, and aircraft manufacturing business have been considered. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. In some areas, this may have an impact on sales price to assessed value relationships including coefficients of variation and ratios. In all cases, properties were valued uniformly with similar properties.

## ***Identification of the Area***

***Name or Designation: Industrial***

***Boundaries:*** King County

***Maps:***

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

***Population:***

<i>Total</i>	<i>North King Co.</i>	<i>South King Co.</i>	<i>East King Co.</i>	<i>Central King Co.</i>
120	2	27	29	62

***Specialty Description:***

**Industrial Property**

“Ideally, a combination of land, improvements, and machinery which has been integrated into a functioning unit intended for the assembling, processing, and manufacturing of finished or partially finished products from raw materials or fabricated parts, such as factories; or a similar combination intended for rendering service, such as laundries, dry cleaners, storage; or for the production of natural resources, such as oil wells.”<sup>1</sup>

The Encyclopedia lists these special characteristics of industrial properties:

1. Greater tendency towards special-use design.
2. Greater average annual obsolescence rate.
3. Large number of locational determinants.
4. Less speculative value in improved properties.
5. Reluctance of banks to make loans on industrial property.
6. Importance of credit rating of occupant.

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<sup>1</sup> Encyclopedia of Real Estate Appraising, 3<sup>rd</sup> Edition, p479

For 2005 revalue year, six parcels presently improved and used for broadcasting facilities are included in the specialty category for industrial property. Although these properties were not built as an industrial manufacturing nor intended for use as such, it was lumped into this specialty because of the special use of these facilities. These parcels are currently assessed using the cost approach but will need further analysis to check and balance the market value of each property.

Other value influencing factors unique to the industrial appraisal field include labor markets, rail and shipping connections, availability/cost of raw materials, actual production, investor's expectations and environmental concerns.

As these are special-use (i.e. single or limited use) properties, it is difficult to generalize about them since each responds to economic forces within its sector of the marketplace. There are however, several long-term trends that are having impact across the board. Foremost among these is the desire to maximize profits, particularly as family owned and locally developed firms give way to out of state, corporate ownership. This is causing a flight to lower wage areas in other parts of the country, and around the world. A secondary factor is the rise in land values caused by increased scarcity within King County. The third factor is the proposed change in the U.S. Department of Agriculture new marketing rule intended to regulate dairy production and prices. The new regulation would be added to a complex system of marketing rules first imposed in the late 1930s to ensure that family farms and small dairies received fair prices for their milk.<sup>2</sup> The fourth factor are the changes in the economy and environment e.g. traffic and road condition.

The result of these forces is that the production of commodity type products is moving elsewhere. Glacier NW (an importer from Pacific Rim) LaFarge and Lehigh both with large manufacturing plants located in the Vancouver BC area are the three major competitors of Ash Grove cement, a manufacturing facility in Seattle. Because of the cheap labor and the lower currency exchange in this country, the costs of the finish products are very competitive if not cheaper than the product manufactured locally. Paccar has idled its Kenworth plant in Tukwila; axle assemblies are now done in Kentucky. And they sold their production/office plant in East Marginal way. Weyerhaeuser sold their timber forest land for land redevelopment and has shut down its White River and Snoqualmie facilities. Darigold shut down its' production of ice cream in their Seattle plant. This is due to the cost inefficiency of producing ice cream in a small/medium production plant versus a larger ice cream plant. Other firms under pressure are dairies and bottling plants which need to be near, though not in, the metropolitan area.

One of the outcomes of federal regulation change is most small processing plants have disappeared and most dairies now sell their raw milk to regional cooperatives, which sell it to large processors who produce dairy products for consumer. Smith Brothers is one of the few remaining dairies in the Pacific Northwest that also operates its own processing plant.

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<sup>2</sup> King County Journal

What remains to survive and to thrive are niche processes that have significant margins or serve the local area. Nucor Steel (formerly Birmingham) uses scrap metal to produce rebar and angle iron for the regional construction industry. It does not compete in the area of load bearing steel beams that are more cheaply produced in places such as Korea. Todd Shipyards, our lone remaining facility capable of launching new vessels of large size, survives by doing maintenance and repair work between receiving contracts for new Washington State ferries.

K-2, maker of skis and snowboards, is an example of a locally grown company that has moved its production off shore, in this case to China. Marketing and graphic design departments are all that remain here. Another producer of composite materials - in this case for aerospace – Hexcel, has seen its business shrinking. When airline orders pick up however, the bulk of its contracts will be filled by its plants in Southeast Asia.

Examples of higher margin operations that currently thrive are wineries and specialty coffee roasters.

#### **PHYSICAL INSPECTION AREA:**

The Physical Inspection for Industrial properties for this revalue year is located in various areas of King County. The following are the twelve properties inspected:

<b>PROPERTY NAME</b>	<b>PARCEL NUMBER</b>
Darigold Seattle Office	387990-2265
Darigold Rainier Plant	795030-1240
Continental Mills	125370-0430
Continental Mills Parking	125370-0420
Optidisc Solutions	132204-9173
Micron	383090-0160
Starbucks	125372-0020
Hostess	198820-1285
Tempress	213620-0380
Federal Express	212406-9133
Ball Metal Beverage	000680-0035
Meltec	766670-2155
Young Seattle	766620-7445

### ***Preliminary Ratio Analysis:***

No ratio study was performed for industrial properties. The market for heavy industrial properties is extremely limited. By definition, these properties are useful for a single or limited purpose and rarely sell for investment reasons.

## ***Land Value***

### ***Land Sales, Analysis, Conclusions:***

The geographic appraiser in the area which the industrial property is located is responsible for the land value used. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

## ***Improved Parcel Total Values***

### ***Sales comparison approach model description:***

The sales comparison approach was generally not utilized because there are not enough sales to analyze for the different types of Industrial properties. Those sales that did occur were plagued by the problems discussed under Preliminary Ratio Analysis.

### ***Cost approach model description:***

The cost approach was the primary valuation methodology utilized for industrial properties. Data to perform the cost approach was available and was therefore considered on most properties in the population. Cost approaches were done using the Marshall & Swift Commercial Estimator and/or Department of Revenue (DOR) tables. The Marshall & Swift Valuation Service also provides depreciation schedules based on its studies. Its costs are adjusted to the western United States region and the Seattle area.

Extraordinary obsolescence was calculated from the cost to cure, and from excess capacity.

### ***Cost calibration:***

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift.

***Income capitalization approach model description:***

The income approach to value was considered only for those properties that have a degree of alternative use. In those cases an economic income approach was completed.

***Income approach calibration:***

Income parameter data developed in the warehouse/light industrial report was relied upon in the aforementioned instances. Please see that report for rates used.

***Reconciliation:***

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected. Extraordinary obsolescence was considered on a case by case basis. Appropriate adjustments were applied when warranted and adequate documentation was provided.

**Model Validation**

***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

*The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.*

Application of the recommended industrial values for the 2005 assessment year (taxes payable in 2006) results in an average total increase from the 2004 assessments of 10.93%. This change is due mostly to the market increase of Land value in the West and East Duwamish neighborhood in Seattle. And also to the previous assessment levels, industrial market conditions, and updating of property characteristics.



## **USPAP Compliance**

### ***Client and Intended Use of the Appraisal:***

*This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

*The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.*

### ***Definition and date of value estimate:***

#### **Market Value**

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

#### **Highest and Best Use**

WAC 458-12-330      **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

*All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility,*

*but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

*Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)*

### **Date of Value Estimate**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

*Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.*

### **Property rights appraised:**

#### **Fee Simple:**

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute*

*ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”*

**Special assumptions and limiting conditions:**

*That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*

*That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*

*That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.*

*That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*

*That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*

*That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*

*That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*

*That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*

*Exterior inspections were made of all properties however, due to lack of access few received interior inspections.*

*The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*

*We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.*

*We have attempted to segregate personal property from the real estate in our appraisals.*

*We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.*

*We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*

*The appraisers have no personal interest or bias toward any properties that they appraise.*

***Departure Provisions:***

***Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception***

SR 6-2 (g)

*The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.*